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DIA FOR LIEUTENANT GENERAL MICHAEL D. MAPLES, DIRECTOR

E.O. 12958: DECL: 08/21/2027

TAGS: MARR MASS MCAP MOPS PREL PTER OVIP MY

SUBJECT: SCENESETTER FOR LTG MAPLES' VISIT TO MALAYSIA FOR
APICC, 4 - 7 SEP 2007

Classified By: Charge d'Affaires a.i. David B. Shear,
for reasons 1.4 (b, d).

Summary

¶1. (C) Malaysia is important to us because it is an economically successful, stable, predominantly Muslim country that, over the longer term, may be able to support us more strongly in places like the Middle East. It is strategically located on the Straits of Malacca, through which one quarter of the world's trade flows, and it borders five of the other nine ASEAN countries. Behind the scenes, Malaysia is also a good partner in the war on terror. It is our tenth largest trading partner, and many major American companies have invested here. The overall tone in Malaysian-American relations has improved considerably since Abdullah Badawi became Prime Minister in late-2003, and we seek to translate this into substantive improvements. Bilateral relations eroded under Abdullah's vituperative predecessor Dr. Mahathir Mohamad, but Abdullah brought with him a friendlier style and an interest in projecting a more moderate image, both for himself and for his country. CT cooperation remains strong. We have increased senior-level exchanges since Abdullah came aboard, for example conducting our first ever Senior Dialogue with the Foreign Ministry at the Assistant Secretary level in May 2005. Malaysia has acceded to the IAEA Additional Protocol, and participated as an observer in PSI exercises. Malaysia has played a positive role in helping to stabilize Aceh, Mindanao, and East Timor.

¶2. (C) Military-to-military cooperation is improving, with 15 US Navy ship visits to Malaysian ports thus far in 2007 and 23 in 2006, up from only three in 2003. Malaysia's traditional approach to global issues, which Abdullah has continued albeit at a lower decibel level, remains an impediment to closer bilateral cooperation. Malaysia actively participates in the NAM and the OIC, often adopting distinctly third-world positions on issues of importance to us. Our public affairs environment is also challenging. The Malaysian public is strongly opposed to our policies in the Middle East and the Persian Gulf. A strong "post-colonial overhang" also colors Malaysian attitudes toward the U.S. role in Southeast Asia. With Abdullah we have nevertheless been able to pursue a set of broad common interests, and pragmatism generally rules in bilateral security relations.
End Summary.

Political/Economic Landscape

¶3. (C) Malaysia has been a difficult political partner in

the past. Malaysians nurse strong anti-colonial sentiments. They are fiercely protective of their sovereignty and (among the Muslim Malay majority) resent perceived ill treatment of Islam by the West. Malaysian intellectuals tend to hold a "Euroskeptic" view of U.S. foreign policy in general and like to cast themselves as defenders of "third world" interests. Former Prime Minister Mahathir played on these sentiments to generate political support for himself and his ambitious economic agenda. When he relinquished his post in 2003, he left behind a modernized economy but also strained relations with much of the West. Today, however, Malaysia presents us with important transformational opportunities. In terms of its economic development, educational achievement, public welfare, and political stability, Malaysia stands out among Muslim-majority nations. The Malaysians project a version of Islam that emphasizes modern learning and economic development, and, over the longer term, could lend additional support to progressive forces in the Middle East and Iraq. We also share strong common East Asian regional interests in stability and prosperity. Malaysian counter-terrorism cooperation is indispensable in defeating Jemaah Islamiyah (JI) in the region.

¶4. (C) Malaysia's economy is among the more open, diverse, and better-developed within the Islamic world and in ASEAN. We are Malaysia's largest trading partner, and Malaysia is our tenth, largely due to strong trading relationships in the electronics and energy sectors. While the U.S. was Malaysia's largest source of foreign direct investment for more than a decade, Japan surpassed U.S. FDI to Malaysia in 2006 after the signing of a limited trade partnership agreement between those two countries. This year, a joint venture between a private Malaysian company and the National Iranian Oil Company to build a refinery here has put Iran as the largest foreign investor year-to-date, while the U.S. has

slipped to fifth place after the Netherlands, Japan, and Singapore.

Bilateral Ties--Working to Improve the Substance

¶5. (S) In our bilateral relations, the GOM has begun matching improvements in tone with improvements in substance. PM Abdullah has openly espoused improved relations with the U.S., and values the good rapport he established in his meetings with the President. Last summer, Secretary Rice met with PM Abdullah and FM Hamid at the ASEAN Regional Forum and President Bush met with PM Abdullah on the sidelines of the UNGA in September. Last year the GOM acceded to our long-standing urging and signed the IAEA Additional Protocol; and the Malaysians have also started sending observers to recent PSI exercises. Nevertheless, Malaysia's support for U.S. positions in the United Nations has not improved under Abdullah as Malaysia consistently votes in disagreement with the United States on nearly all measures we have classified as "important votes."

¶6. (C) Although they keep the details closely held, the GOM has been a key partner on counterterrorism. Early round-ups in 2001-2002 of scores of Jemaah Islamiyah (JI) suspects helped ensure there have been no terrorist attacks here. However, Malaysian extremists, as illustrated by a series of arrests in Malaysia's Borneo states last year, still have the capability to support JI operations elsewhere. Two Malaysian citizens were among the 14 high value U.S. detainees transferred to Guantanamo last year. In 2003, Malaysia established the Southeast Asia Regional Center for Counterterrorism (SEARCCT), which runs a full schedule of GOM-focused and multilateral training courses, many conducted with U.S. support. We and our colleagues in Manila, Jakarta and other Southeast Asian posts have embarked on a regional effort to strengthen these countries' border controls. In cooperation with GOM, we undertook a Border Control Assessment Initiative (BCAI) in eastern Sabah with participants from the Department of State, Homeland Security, USCG and JIATF West. We are providing some technical assistance to the GOM for the drafting of an export control

law -- important to our non-proliferation goals -- but Malaysia has moved very slowly on establishing an export control regime.

Security Cooperation

¶ 17. (C) The U.S. and Malaysia share strong defense ties, and this relationship finds expression in numerous high level visits. The Chairman of the Joint Chiefs of Staff, General Peter Pace, recently concluded in May a very successful visit to Malaysia which included calls on both the Prime Minister and the Deputy Prime Minister. General Pace's visit came on the heels of former Malaysian Armed Forces (MAF) Chief Admiral Anwar's visit to the U.S. in October 2006; the Mid Year Bilateral Training and Consultative Group (BITACG) review in November 2006; and the Chiefs of Defense Conference in November 2006 that was hosted jointly for the first time by PACOM-MAF. Anwar retired in March and was replaced by General Abdul Aziz bin Hj Zainal. Changes in the military leadership have not adversely impacted mil-mil cooperation between the United States and Malaysia which grew in recent years under Anwar's leadership. Ship visits have significantly increased and received greater visibility and security-related training sponsored by the United States for military and law enforcement participants has also been on the rise. Although the possibility of a terrorist threat to the Malacca Strait has received the bulk of international attention, the fact is that although pirate attacks illustrate vulnerabilities, we have never identified any terrorist activities in the Straits. Conversely, terrorists operate regularly in the Sulu/Sulawesi Sea corridor and we are focusing increasingly on this theater.

¶ 18. (C) Malaysia has had limited success in initiating the "Eyes in the Sky" program, a regional aerial monitoring of the Straits of Malacca. However, a reduction in incidents of piracy and improved risk assessment by Lloyds of London have lowered the program's priority in the GOM and it moves cautiously forward in its multilateral efforts in this area. A pirate attack and kidnapping of sailors in the Straits on August 13 was the first high-seas abduction in over two years.

¶ 19. (C) Malaysia concluded a new 505 agreement last year that will allow us to utilize 1206 funds to put CT equipment into the vulnerable Sulu and Sulawesi Seas border areas of Sabah where terrorists are known to transit. We are awaiting final Congressional approval of the 1206 proposals made in conjunction with regional embassies. Malaysia has not signed either a PSI or Article 98 agreement. In general, Malaysia remains open to bilateral cooperation that strengthens its own defense capacity, but the GOM will quickly raise the principles of sovereignty and territorial integrity when discussing international security regimes and coordination, such as for the Straits of Malacca. Malaysia's only multilateral defense arrangement is the Five Power Defense Pact with the UK, Singapore, Australia and New Zealand.

¶ 10. (S) We have been pleased by the overwhelmingly positive media coverage our ship visits have received, in contrast to the quiet arrivals of past years. The flip side to this is that our visits could attract increased attention from ideological foes on the Islamic right, and from some mainstream politicians pandering to the conservative Islamic vote. Deputy Prime Minister Najib has stoutly defended our cooperation before Parliament, and we do not see that our engagement is under threat. However, we do need to be cognizant of our increased military visibility and sensitive to GOM concerns, particularly with high tensions in the Middle East. The GOM cited concerns about the growing visibility of training in eastern Sabah when it recently decided to review on a case by case basis proposed training events involving foreign military forces in that region.

¶ 11. (C) Malaysia has an excellent record in UN Peacekeeping Operations. They have committed forces to various UN

operations since the early 1960s. Currently, 360 Malaysian troops are participating in UNIFIL (Lebanon) and the GOM has offered a contingent of up to 1000 soldiers. Malaysia is inclined to contribute forces to a Sudan mission, but awaits a formal UN proposal. Malaysia has developed a Peacekeeping Training Center and updated the facility in recent years to provide specialized training for the troops it sends into the field as well as personnel from foreign militaries. The USG has obligated almost 1.1 million dollars for GPOI funds that will focus on a developing a multilateral peacekeeping operations exercise in 2009.

¶12. (S) Malaysia maintains friendly relations with Iran, including a growing commercial relationship. Malaysia has lent rhetorical support to Iran's right to develop "peaceful" nuclear technology but also consistently has maintained that it will implement UN decisions on Iran, including sanctions regimes. After the latest UNSC resolution, Prime Minister Abdullah called for Iran to respect UNSC resolutions on its nuclear program. Malaysia, however, has not yet submitted its report to the UN on implementation of UNSC 1737 or 1747 sanctions. Recent actions by Malaysian firms have generated concerns of violations of U.S. laws and the Wassenaar Arrangement and a Malaysian company was among those recently sanctioned under the Iran Syria Non-proliferation Act (ISNA) for its role in shipping proscribed materials to Iran. The activities of local firms doing business with Iran need to be monitored closely. One privately-owned Malaysian firm has signed an agreement for a multi-billion dollar investment to develop enormous natural gas fields in Iran, a deal which has drawn condemnation from U.S. congressional voices in light of the Iran Sanctions Act. Additionally, the National Iranian Oil Company and Malaysian firms recently inked deals to develop oil refineries in both Malaysia and Iran.

Recent Mil-Mil Talks

¶13. (C) In May 2007, Malaysia hosted the annual Bilateral Training and Consultative Group (BITACG) meeting in Port Dickson. BITACG is a forum used to promote and strengthen mil-mil relations through discussions of bilateral exercises, intelligence exchanges, C4 issues, logistics engagement, and defense cooperation. Malaysia has agreed to co-host an annual conference for military intelligence chiefs in the Asia-Pacific region to be held in September.

¶14. (SBU) Malaysia has put forth a regional Humanitarian Assistance/Disaster Relief (HA/DR) Center initiative that is promising, and has wide support in the government. The MAF has identified Subang Airfield as a likely choice for the center which would be administered under UN auspices. Subang, the former international airport, served as the focal point for Malaysia's tsunami and Yogyakarta relief efforts. The

facilities are modern and are available. Malaysia is an ideal location for a regional HA/DR center-centrally located, modern, stable, and Islamic. Malaysia is no further than two hours by air to almost any country in the region. Avian influenza (AI) preparedness is another promising area of bilateral cooperation. Last September, PACAF conducted a successful AI SMEE (Subject Matter Expert Exchange) with the Ministry of Health. The U.S. team recommended changing Malaysia's AI preparedness rating from High Risk to Partner Nation. Building upon this success, our Office of Defense Cooperation (ODC) will host a regional workshop on Bio-terrorism Defense and an assessment by Marine Forces Pacific as part of overall pandemic influenza preparedness. USPACOM recently provided personal protection gear and laboratory analysis equipment to the Malaysian government. Malaysia will co-host this multilateral/regional event as it has demonstrated capacity as a regional partner in preparing for the threat of avian/pandemic influenza. PACOM's efforts in furthering Malaysia's capacity as a regional responder are critical to the country teams in this regard.

Malaysia's "Civilizational Islam"

¶15. (C) Malaysia, with its entrenched majority coalition, is hardly an ideal democracy, but it can still serve as a reference point for evolving Islamic societies elsewhere. The Malay people, traditionally known for their social tolerance, have become more religiously conservative in recent years, but Prime Minister Abdullah has enshrined the Malay political elite's continued preference for moderation in his "Islam Hadhari" or "Civilizational Islam" policy. Abdullah's key message is that Islam can become a leading world civilization again only if it embraces economic development, education, innovation and tolerance. Observers are wary of a longer-term trend toward greater divisions between the Muslim Malay majority and other ethnic groups, and religious minorities increasingly complain of growing Islamization, as highlighted by the controversy surrounding Deputy Prime Minister Najib's recent comments that Malaysia is an "Islamic state." Nevertheless, Malaysia has kept inter-ethnic tensions well under control by regional and world standards for almost 40 years.

Malaysian Foreign Policy and U.S. -- A Mixed Bag

¶16. (S) Abdullah champions his development-focused vision of Islam -- albeit with limited impact to date -- within the Organization of the Islamic Conference (OIC), which Malaysia will continue to chair through early 2008. Malaysia supports Abbas, Fatah, the MEPP roadmap, and Iraqi reconstruction. However, the Malaysian public remains highly critical of our Middle East policies, and the GOM is consistently critical of Israel, with which it has no diplomatic relations.

¶17. (S) Malaysia surrendered the chairmanship of the Non-Aligned Movement in September last year, but as past chair remains a member of the leadership troika. During Malaysia's tenure it supported NAM positions defending Iran's nuclear program, and engaged with such problematic international players as Zimbabwe, Cuba and Venezuela. The GOM nevertheless tells us that they argued for moderate approaches within the NAM on such issues as Iran. Abdullah hosted Hugo Chavez for a visit to Malaysia last August, and assured Chavez of his support for Venezuela's election to the Latin American chair on the UN Security Council. This was followed by a well publicized visit to Venezuela by Abdullah in December to explore stronger commercial ties.

¶18. (C) The GOM issued a public condemnation of North Korea's nuclear test and publicly supports UNSCR 1718, although it has no enthusiasm for sanctions. In the past, Malaysia supported the return to the six-party DPRK nuclear talks and criticized North Korea's truculence. The Malaysian government is publicly supportive of China's "peaceful rise," welcoming in particular China's growing imports of Malaysian products, despite lingering suspicions among some officials of China's long-term intentions.

¶19. (C) Malaysia has played an increasingly prominent role in addressing conflicts facing its Southeast Asian neighbors.

Last year Malaysia completed its earlier peacekeeping mission to East Timor following the armed uprising that led to deployment of Australian, Malaysian and Portuguese forces, while a new deployment of Malaysian police personnel is in East Timor now. The GOM has also taken a leading role as the

facilitator for the southern Philippines peace process. Malaysia's sympathies for the Muslim Moro population and geopolitical calculations vis-a-vis the Philippines do not make it a neutral broker, but Malaysia has nonetheless hosted negotiations and contributed observers to the International Monitoring Team in the southern Philippines. Geography and cross-border ethnic bonds make Malaysia a de facto safe haven for southern Thai insurgents, though the GOM has not supported or encouraged this. The Malaysians have urged the Thai government to resolve peacefully the unrest in Southern Thailand, with its ethnic Malay Muslim population, and Malaysia and Thailand are cooperating on new border security

measures. Malaysia is especially chagrined by Burma's intransigence because it championed Burma's entry into ASEAN. Having publicly criticized the Burmese regime, however, FM Hamid appears to be at a loss as to what to do next. Malaysia spoke out against the UNSC draft resolution on Burma, which we championed before the UN Security Council in January, and firmly backed the ASEAN argument that Burma was not a threat to international peace and security.

Trafficking in Persons creates a setback

¶20. (C) In June, the State Department determined that Malaysia had not undertaken sufficient efforts to meet the minimum standards for combating trafficking in persons, resulting in a Tier 3 ranking in the annual report to Congress. Malaysia has been given 60 days to show significant efforts to come into compliance with the U.S. Trafficking Victims Protection Act or face possible sanctions for non-trade related and non-humanitarian assistance. We are working diligently with the GOM to address these issues, but there remains the possibility of sanctions which could potentially affect our mil-mil exchanges and training assistance in FY 08.

SHEAR